

State of California
BOARD OF EQUALIZATION
SALES AND USE TAX REGULATIONS

Regulation 1590. NEWSPAPERS AND PERIODICALS.

References: Sections 6005, 6006, 6007, 6010, 6015, 6361.5, 6362.3, 6362.7, and 6362.8, Revenue and Taxation Code.

(a) DEFINITIONS.

(1) "NEWSPAPER." The term "newspaper" as used herein conforms to the definition of a newspaper as set forth in a ruling of the United States Treasury Department published in the Federal Register, December 29, 1960. Under this definition, the term is limited to those publications which are commonly understood to be newspapers and which are printed and distributed periodically at daily, weekly, or other short intervals for the dissemination of news of a general character and of a general interest. The term does not include handbills, circulars, flyers, or the like, unless distributed as a part of a publication which constitutes a newspaper within the meaning of this subparagraph. Neither does the term include any publication which is issued to supply information on certain subjects of interest to particular groups, unless such publication otherwise qualifies as a newspaper within the meaning of this subparagraph. For purposes of this subparagraph, advertising is not considered to be news of a general character and of a general interest.

(2) "PERIODICAL." The term "periodical" as used herein is limited to those publications which appear at stated intervals, each issue of which contains news or information of general interest to the public, or to some particular organization or group of persons. Each issue must bear a relationship to prior or subsequent issues in respect to continuity of literary character or similarity of subject matter, and there must be some connection between the different issues of the series in the nature of the articles appearing in them.¹ Each issue must be sufficiently similar in style and format to make it evident that it is one of a series. An annual report of a corporation which is substantially different in style and format from the corporation's quarterly reports is not part of a series with the quarterly reports. The term "periodical" does not include books complete in themselves, even those that are issued at stated intervals, for example, books sold by the Book-of-the-Month Club or similar organizations, so-called "pocket books," a new one of which may be issued once a month or some other interval, or so-called "one-shot" magazines that have no literary or subject matter connection or continuity between prior or subsequent issues. The term does not include catalogs, programs, score-cards, handbills, price lists, order forms or maps. Neither does it include shopping guides or other publications of which the advertising portion, including product publicity, exceeds 90 percent of the printed area of the entire issue in more than one-half of the issues during any 12-month period.

(3) "INGREDIENT OR COMPONENT PART OF A NEWSPAPER OR PERIODICAL." The term "ingredient or component part of a newspaper or periodical" includes only those items that become physically incorporated into the publication and not those which are merely consumed or used in the production of the publication. For example, newsprint and ink are ingredients of a newspaper; however, a photograph does not become an ingredient or component part of a newspaper or periodical merely because the image of the photograph is reproduced in the publication.

Handbills, circulars, flyers, order forms, reply envelopes, maps or the like are considered as component parts of a newspaper or periodical when attached to or inserted in and distributed with the newspaper or periodical.

(4) "PUBLISHER." "Publisher" means and includes any person who owns the rights to produce, market, and distribute printed literature and information.

(5) "DISTRIBUTOR." "Distributor" means any person who acquires newspapers or periodicals for subsequent distribution to retailers or newspaper carriers.

¹ This definition is based upon *Business Statistics Organization Inc. v. Joseph*, 299 N.Y. 443, 87 N.E. 2d 505, and *Houghton v. Payne*, 194 U.S. 88, 48 L. Ed. 888.

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(6) "NEWSPAPER CARRIER." "Newspaper carrier" means any person who acquires newspapers from a publisher or distributor to deliver to consumers. The term includes a hawker. A "hawker" is an individual who sells single copies of newspapers to passersby on a street corner or other trafficked area. "Newspaper carrier" does not include persons selling newspapers or periodicals from a fixed place of business.

(7) "THIRD PARTY RETAILER." "Third party retailer" means and includes any person who sells at retail subscriptions to newspapers and periodicals who is not the publisher of the newspapers or periodicals. Typically, third party retailers solicit subscriptions in a single offering for a large number of different publications, require that payment be made to the account of the third party retailer, and undertake to resolve subscription problems. The term includes persons commonly known as direct mail, school, paid during service, cash, catalog, and telephone agents. "Third party retailer" does not include persons who solicit renewals of subscription on behalf of individual publishers.

(b) APPLICATION OF TAX.

(1) IN GENERAL. Effective July 15, 1991, the sale of newspapers and periodicals, including sales by third party retailers, is subject to tax unless otherwise exempt.

Tax does not apply to sales of tangible personal property to persons who purchase the property for incorporation as a component part of a newspaper or periodical which will be sold notwithstanding that the purchaser is not the seller of the newspaper or periodical.

See Regulation 1574 (18 CCR 1574) for the application of tax to sales through vending machines and Regulation 1628 (18 CCR 1628) for the application of tax to transportation charges.

(2) DISTRIBUTIONS OF NEWSPAPERS AND PERIODICALS WITHOUT CHARGE. Effective October 2, 1991, tax does not apply to the sale or use of tangible personal property which becomes an ingredient or component part of a copy of a newspaper or periodical regularly issued at average intervals not exceeding three months when that copy of such newspaper or periodical is distributed without charge, nor does tax apply to such distribution.

Newspapers and periodicals distributed on a voluntary pay basis shall be considered as distributed without charge. Newspapers and periodicals are distributed on a voluntary pay basis when payment is requested from the consumer but is not required.

(3) SUBSCRIPTIONS. The sale or use of newspapers and periodicals is exempt from tax during the term of a prepaid subscription if the purchaser ordered and paid for the subscription prior to July 15, 1991.

Effective November 1, 1992, tax does not apply to the sale or use of a periodical, including a newspaper, which appears at least four, but not more than 60 times each year, which is sold by subscription, and which is delivered by mail or common carrier. For example, a daily newspaper is not a periodical for the purposes of this subdivision (b) (3). Tax does not apply to the sale or use of tangible personal property which becomes an ingredient or component part of such a periodical.

Sales tax reimbursement collected on the sale of a periodical subscription prior to the November 1, 1992 effective date of the exemption for the sale of issues delivered on or after November 1, 1992 constitutes excess tax reimbursement. The retailer must refund the tax reimbursement to the customer or pay it to the state in accordance with subdivision (b) of Regulation 1700 (18 CCR 1700).

Each delivery of a newspaper or periodical pursuant to a subscription sale is a separate sale transaction. When the sale is subject to tax, the retailer must report and pay the tax based upon the reporting period within which the delivery is made. The subscription price shall be prorated over the term of the subscription period.

(4) MEMBERSHIP ORGANIZATIONS. Generally, tax applies to sales of newspapers and periodicals by membership organizations. If the price is separately stated, tax applies to that amount. If the price is not separately stated, the measure of tax is the fair retail selling price of the publication.

The application of tax to distributions of newspapers and periodicals by nonprofit organizations is provided at subdivision (b) (5). The application of tax to sales of periodicals by subscription is provided at subdivision (b) (3).

(5) NONPROFIT ORGANIZATIONS.

(A) Internal Revenue Code Section 501(c) (3) Organizations. Effective November 1, 1991, until October 31, 1992, tax does not apply to the sale or use of any newspaper or periodical distributed by an organization that qualifies for tax exempt status under section 501(c) (3) of the Internal Revenue Code, nor tangible personal property which becomes an ingredient or component part of any such newspaper or periodical, only as to issues distributed under either of the following circumstances:

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1. The issues are distributed to the organization's members in consideration of the organization's membership fee; or

2. The issues are of a newspaper or periodical which neither receives revenue from, nor accepts, any commercial advertising.

Effective November 1, 1992, the exemption is applicable only as to a newspaper or periodical regularly issued at average intervals not exceeding three months.

For purposes of this subdivision, any governmental entity established and administered for the purposes provided in Internal Revenue Code Section 501(c) (3) shall be considered to be an organization that qualifies for tax exempt status under that section.

(B) Other Nonprofit Organizations. Effective November 1, 1991, tax does not apply to the sale or use of any newspaper or periodical distributed by a nonprofit organization, nor tangible personal property that becomes an ingredient or component part of or any such newspaper or periodical, only as to issues distributed pursuant to both of the following requirements:

1. The issues are distributed to the organization's members in consideration, in whole, or in part, of the organization's membership fee;

2. The amount paid or incurred by the nonprofit organization for the cost of printing the newspaper or periodical is less than ten percent of the membership fee attributable to the period for which the newspaper or periodical is distributed, whether the publication is printed within or without this state. The cost of printing shall be determined as follows.

The cost of printing includes costs of tangible personal property purchased to become an ingredient or component part of the newspaper or periodical (e.g., ink and paper) and costs of labor to print the newspaper or periodical. The cost of printing does not include costs not attributable to actual printing, such as costs of special printing aids, typography, and preparation of layouts.

If the organization contracts with an outside printer to print the newspaper or periodical, the organization shall obtain and retain documentation segregating the costs of printing from the printer's other charges.

If the organization is the printer of the newspaper or periodical, the cost of printing includes the aggregate of the cost of tangible personal property purchased to become an ingredient or component part of the newspaper or periodical; labor of printing, including fringe benefits and payroll taxes; and other costs attributable to the actual printing of the newspaper or periodical.

If an organization has published the newspaper or periodical for a period exceeding twelve months and the method of printing has not changed, the organization may elect to consider the cost of printing for a reporting period to be equal to the amount paid or incurred for the same reporting period for the previous fiscal or calendar year.

(6) **NEWSPAPER CARRIERS.** A newspaper carrier is not a retailer. The publisher or distributor for whom the carrier delivers is the retailer of the newspapers delivered. The publisher or distributor shall report and pay tax measured by the price charged to the customer by the carrier.

(7) **CONSUMPTION OF PROPERTY.** Tax applies to the sale to or use by a newspaper or periodical publisher of tangible personal property consumed in the manufacturing process. Tax does not apply to the cost of tangible personal property lost or wasted in the manufacturing process when that property was purchased for the purpose of incorporation into a newspaper or periodical to be sold or to be distributed in accordance with subdivision (b) (2).

(8) **FIXED PRICE CONTRACTS.** The sale or use of newspapers and periodicals is exempt from tax during the term of a prepaid subscription if the purchaser ordered and paid for the subscription prior to July 15, 1991.

(9) **SCHOOL CATALOGS AND YEARBOOKS.** Public or private schools, county offices of education, school districts, or student organizations are the consumers of catalogs and year books prepared for or by them, and tax does not apply to their receipts from the distribution of the publications to students.

Tax applies to charges for the preparation of such publications made to public or private schools, county offices of education, school districts, or student organizations by printers, engravers, photographers and the like.

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(c) EXEMPTION CERTIFICATES.

Any seller claiming a transaction as exempt from sales tax pursuant to Revenue and Taxation Code sections 6362.7 or 6362.8 should timely obtain an exemption certificate in writing from the purchaser. The exemption certificate will be considered timely if obtained by the seller at any time before the seller bills the purchaser for the property, or any time within the seller's normal billing and payment cycle, or any time at or prior to delivery of the property.

(1) CERTIFICATE A. Certificate to be used for purchases of tangible personal property for incorporation into newspapers or periodicals for sale in accordance with subdivisions (b) (1) or (b) (3), above.

(2) CERTIFICATE B. Certificate to be used for purchases of tangible personal property that becomes an ingredient or component part of newspapers or periodicals that are distributed without charge in accordance with subdivision (b) (2), above.

(3) CERTIFICATE C. Certificate to be used for purchases of tangible personal property that becomes an ingredient or component part of newspapers or periodicals that are distributed by organizations which qualify for tax-exempt status under Internal Revenue Code section 501 (c) (3) in accordance with subdivision (b) (5) (A), above.

(4) CERTIFICATE D. Certificate to be used for purchases of tangible personal property that becomes an ingredient or component part of newspapers or periodicals that are distributed by nonprofit organizations in accordance with subdivision (b) (5) (B), above.

CERTIFICATE A

CALIFORNIA SALES TAX EXEMPTION CERTIFICATE

Sales of tangible personal property for
incorporation into a newspaper or periodical for sale

(Name of Purchaser)

(Address of Purchaser)

I HEREBY CERTIFY:

Initial one of the following:

_____ That I hold valid seller's permit No. _____
issued pursuant to the Sales and Use Tax Law.

_____ That I do not hold a seller's permit issued pursuant to the Sales and Use Tax Law. I do
not sell any tangible personal property for which a permit is required.

I further certify that the tangible personal property described herein which I shall purchase from

(Name of Vendor)

will become a component part of the newspaper or periodical*

and sold as a component part of the publication.

I understand that in the event any such property is sold or used other than as specified above or
used other than for retention, demonstration, or display while holding it for sale in the regular
course of business, I am required by the Sales and Use Tax Law to report and pay any
applicable sales or use tax. Description of the property to be purchased:

Date: _____, 19 _____

(Signature of Purchaser or Authorized Agent)

(Title)

*Insert name and type of newspaper or periodical

CERTIFICATE B

CALIFORNIA SALES TAX EXEMPTION CERTIFICATE

Sales of tangible personal property which becomes an ingredient or component part
of newspapers or periodicals that are distributed without charge

(Name of Purchaser)

(Address of Purchaser)

I HEREBY CERTIFY:

Initial one of the following:

_____ That I hold valid seller's permit No. _____
issued pursuant to the Sales and Use Tax Law.

_____ That I do not hold a seller's permit issued pursuant to the Sales and Use Tax Law. I do
not sell any tangible personal property for which a permit is required.

I further certify that I am engaged in the business of publishing*

which is regularly issued at average intervals not exceeding three months and distributed without
charge by me. The tangible personal property described herein which I shall purchase from

(Name of Vendor)

will become a component part of the publication listed above. I understand that if I use any of the
property purchased for any other purpose I am required by the Sales and Use Tax Law to report
and pay tax, measured by the purchase price of the such property.

Description of property to be purchased:

Date: _____, 19 _____

(Signature of Purchaser or Authorized Agent)

(Title)

*Insert name and type of newspaper or periodical

CERTIFICATE C

CALIFORNIA SALES TAX EXEMPTION CERTIFICATE

Sales of tangible personal property that becomes an ingredient or component of newspapers or periodicals that are distributed by organizations which qualify for tax-exempt status under Internal Revenue Code section 501(c) (3)

(Name of Purchaser)

(Address of Purchaser)

I HEREBY CERTIFY:

Initial one of the following:

_____ That I hold valid seller's permit No. _____
issued pursuant to the Sales and Use Tax Law.

_____ That the purchaser does not hold a permit issued pursuant to the Sales and Use Tax Law. The purchaser does not sell any tangible personal property for which a permit is required.

I further certify that the purchaser is an organization that qualifies for tax-exempt status under Section 501(c) (3) of the Internal Revenue Code and is engaged in the business of selling or publishing*

The tangible personal property described herein which I shall purchase from

(Name of Vendor)

will be sold in the form of tangible personal property or will become a component part of a newspaper or periodical distributed by the organization and (check one or both):

_____ The organization will distribute the newspaper or periodical to the members of the organization in consideration of payment of the organization's membership fee or to the organization's contributors,

_____ The publication does not receive revenue from or accept any commercial advertising.

I understand that in the event any such property is sold or used other than as specified above or used other than for retention, demonstration, or display while holding it for sale in the regular course of business, I am required by the Sales and Use Tax Law to report and pay any applicable sales or use tax. Description of the property to be purchased:

Date: _____, 19 _____

(Signature of Purchaser or Authorized Agent)

(Title)

*Insert name and type of newspaper or periodical

CERTIFICATE D

CALIFORNIA SALES TAX EXEMPTION CERTIFICATE

Sales of tangible personal property which becomes an ingredient or component part of newspapers or periodicals that are distributed by nonprofit organizations

(Name of Purchaser)

(Address of Purchaser)

I HEREBY CERTIFY:

Initial one of the following:

_____ That the purchaser holds valid seller's permit No. _____
issued pursuant to the Sales and Use Tax Law.

_____ That the purchaser does not hold a seller's permit issued pursuant to the Sales and Use
Tax Law. The purchaser does not sell any tangible personal property for which a permit
is required.

I further certify that the purchaser is a nonprofit organization which is engaged in business of
selling or publishing*

The tangible personal property described herein which I shall purchase from

(Name of Vendor)

will be resold by the organization in the form of tangible personal property or will become a
component part of a newspaper or periodical distributed by the organization and both of the
following apply:

(A) Distribution will be to any member of the nonprofit organization in consideration, in
whole or in part, of payment of the organization's membership fee.

(B) The amount paid or incurred by the nonprofit organization for the cost of printing the
newspaper or periodical is less than 10 percent of the membership fee attributable to
the period for which the newspaper or periodical is distributed.

I understand that in the event any of such property is sold or used other than as specified above
or used other than retention, demonstration, or display while holding it for sale in the regular
course of business, I am required by the Sales and Use Tax Law to report and pay any
applicable sales or use tax. Description of property to be purchased:

Date: _____, 19 _____

(Signature of Purchaser or Authorized Agent)

(Title)

*Insert name and type of newspaper or periodical

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History: Originally published April 2, 1945 (Title 18).

Amended August 8, 1945, effective September 15, 1945.

Amended July 25, 1949, as an emergency.

Amended June 8, 1960, effective July 9, 1960.

Amended March 9, 1966, effective April 9, 1966.

Amended and renumbered April 8, 1970, effective May 10, 1970.

Amended February 6, 1975, effective March 15, 1975. Further defined "periodical" and added that a corporate annual report is not a periodical when done in different style from quarterly reports.

Amended December 7, 1977, effective January 19, 1978. Clarified in (b) (2) the tax status of school publications.

Amended March 1, 1989, effective June 9, 1989. Amended to add county offices of education to the list of organizations considered consumers and not retailers of catalogs and yearbooks prepared by and for them and distributed to students. Also amended to provide a signature and title line in the example of a publisher's exemption certificate.

Amended May 26, 1994, effective September 4, 1994. Deleted an obsolete effective date in subdivision (a) (2) and deleted an old footnote relating to subdivision (a) (2). Amended subdivision (a) (3) to clarify that newsprint and ink are ingredients of a newspaper. Added subdivisions (a) (4)-(6) and (7) to provide respective definitions for "publisher," "distributor," "newspaper carrier," and "third party retailer" as those terms are used in the regulation. Added references to the California Code of Regulations to subdivision (b) (1). Amended subdivision (b) (1) to clarify that there is no longer a general exemption for the sale and use of newspapers and periodicals. Added subdivisions (b) (2)-(9) to incorporate new statutory requirements enacted in 1991. Amended subdivision (c) to delete an obsolete exemption certificate and to provide for four new exemption certificates to be used depending on the applicable exemption. Deleted subdivision (d) as obsolete.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.